

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

APPLICATION OF MEWBOURNE OIL COMPANY                      CASE NO. 16315  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 9, 2018

Santa Fe, New Mexico

BEFORE:   SCOTT DAWSON, CHIEF EXAMINER  
            LEONARD LOWE, TECHNICAL EXAMINER  
            DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, Leonard Lowe, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, August 9, 2018, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY:   Mary C. Hankins, CCR, RPR  
                    New Mexico CCR #20  
                    Paul Baca Professional Court Reporters  
                    500 4th Street, Northwest, Suite 105  
                    Albuquerque, New Mexico 87102  
                    (505) 843-9241

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043  
jamesbruc@aol.com

FOR INTERESTED PARTY MRC PERMIAN, LLC:

JORDAN L. KESSLER, ESQ.  
HOLLAND & HART, LLP  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
jlkessler@hollandhart.com

FOR INTERESTED PARTY TAP ROCK RESOURCES, LLC:

SETH C. McMILLAN, ESQ.  
MONTGOMERY & ANDREWS LAW FIRM  
325 Paseo de Peralta  
Santa Fe, New Mexico 87501  
(505) 982-3873  
smcmillan@montand.com

INDEX

PAGE

Case Number 16315 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	8
Certificate of Court Reporter	9

EXHIBITS OFFERED AND ADMITTED

Mewbourne Oil Company Exhibit Numbers 1 through 4	7
---	---

1 (10:45 a.m.)

2 EXAMINER DAWSON: So at this point, we'll  
3 go down to number 30 on the list, which is Case Number  
4 16315, and it's an application of Mewbourne Oil Company  
5 for compulsory pooling, Eddy County, New Mexico.

6 Call for appearances, please.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of  
8 Santa Fe representing the Applicant and putting on the  
9 case by affidavit.

10 EXAMINER DAWSON: Okay. Any other  
11 appearances?

12 MS. KESSLER: Mr. Examiner, Jordan Kessler,  
13 from the Santa Fe office of Holland & Hart, on behalf of  
14 MRC Permian, LLC.

15 MR. McMILLAN: And, Mr. Examiner, Seth  
16 McMillan Montgomery & Andrews, on behalf of Tap Rock  
17 Resources, LLC.

18 EXAMINER DAWSON: Okay. Is that all?  
19 Okay.

20 EXAMINER BROOKS: Do either of the other  
21 attorneys who entered an appearance have any objection  
22 to proceeding by affidavit?

23 MS. KESSLER: No.

24 MR. McMILLAN: No objection.

25 EXAMINER DAWSON: Thank you.

1                   Thanks, David.

2                   MR. BRUCE: I had asked them -- I took the  
3 liberty of asking them beforehand this morning.

4                   EXAMINER BROOKS: I would assume, being the  
5 careful lawyer you are, you would have done that, but  
6 you know what they say about assuming. So --

7                   MR. BRUCE: Mr. Examiner, I've handed you a  
8 packet of exhibits. The first one is a verified  
9 statement of Mitch Robb, a landman for Mewbourne Oil  
10 Company. In this case Mewbourne seeks an order pooling  
11 all mineral interests in the Wolfcamp Formation  
12 underlying the west half of Section 24 South, 28 East.  
13 The unit is being dedicated to three Wolfcamp wells. In  
14 keeping with Mewbourne's penchant for some bad names for  
15 wells, they're all named after Lynyrd Skynyrd.

16                  EXAMINER DAWSON: Okay.

17                  MR. BRUCE: If you go to the attachments  
18 behind the affidavit, they do have the C-102s for each  
19 of the wells. They are at standard locations. They are  
20 all Purple Sage; Wolfcamp wells, so the setbacks are 330  
21 feet.

22                  Attachment B lists the interest owners in  
23 the well unit. Approximately 85 percent of the interest  
24 owners have joined in the well. There are a number of  
25 very similar interest owners. I know Mewbourne -- with

1    respect to MRC Permian and Tap Rock, Mewbourne is  
2    continuing to work with those people. The rest are  
3    primarily unleased mineral owners, a lot of whom are  
4    unlocatable. And they did -- according to the  
5    affidavit, Mewbourne did all of the Internet searches,  
6    et cetera, telephone records, county records, to locate  
7    the people.

8                    Attachment C to the affidavit contains a  
9    summary of the contacts for all of the interest owners,  
10   as well as the background -- the underlying affidavit --  
11   excuse me -- certified letters to the interest owners  
12   containing the well proposals.

13                   Insofar as there are some overriding  
14   royalty owners, but Mewbourne does have the authority to  
15   pool the overrides in these wells.

16                   The AFE is attached as Exhibit D to the  
17   landman's affidavit, and the well costs are all very  
18   similar, approximately 6.6- or \$6.7 million, which are  
19   reasonable. They are seeking 8,000 a month for a  
20   drilling well and 800 a month for a producing well.  
21   Mewbourne should be designated operator of the well.  
22   They do seek costs plus 200 percent risk charge, and  
23   they also seek that the overhead rates be adjusted as  
24   provided by the COPAS accounting procedure. I think the  
25   documentation shows that they have made a good-faith

1 effort to obtain the voluntary joinder or to locate all  
2 of the interest owners in the well.

3 Exhibit 2 is my Affidavit of Notice. There  
4 are quite a few, primarily, unleased mineral owners  
5 being pooled. Some of them did not receive actual  
6 notice, so Exhibit 3 is the Affidavit of Publication to  
7 all of the parties. So everyone received notice, either  
8 actual notice or constructive notice by publication.

9 And Exhibit 4 is the affidavit of the  
10 geologist for Mewbourne, Charles Crosby, and his usual  
11 exhibits, the structure map.

12 Mr. Examiner, if you want them, I can  
13 download the color copy of the exhibits and email those  
14 to you, particularly the structure map and the cross  
15 section.

16 EXAMINER DAWSON: That would be preferable.  
17 Thank you.

18 MR. BRUCE: And the zones being tested by  
19 the three wells are continuous across the well unit and  
20 uniformly continuous, and each quarter section in the  
21 well unit will contribute to the production from the  
22 well.

23 Attached to the geologic plats is  
24 production from offset wells showing that both stand-up  
25 and lay-down wells perform. All of the wells in the

1 area are either Mewbourne or Matador wells. And the  
2 data on those wells is contained in the affidavit of the  
3 geologist. And then the well planning reports are  
4 attached showing that the wells will be orthodox.

5 With that, I move the admission -- one  
6 thing. On the list of pooled parties, it lists Justin  
7 Nine and his wife, Sara Nine, N-I-N-E, and they have  
8 joined in the well, so they are not sought to be pooled.

9 But I would move the admission of Exhibits  
10 1 through 4 and ask that the matter be taken under  
11 advisement.

12 EXAMINER DAWSON: Any objection?

13 I guess not.

14 MR. McMILLAN: No objection.

15 EXAMINER DAWSON: Okay. Exhibits 1 through  
16 4 will be admitted to the record.

17 (Mewbourne Oil Co. Exhibit Numbers 1  
18 through 4 are offered and admitted into  
19 evidence.)

20 EXAMINER DAWSON: Do you have any  
21 questions, Leonard.

22 EXAMINER LOWE: No, I don't.

23 EXAMINER DAWSON: David.

24 EXAMINER BROOKS: No questions.

25 EXAMINER DAWSON: The only question I have

1 is on the -- one thing I wanted to ask you is the cross  
2 section. Can you have them provide us a larger cross  
3 section that's more legible?

4 MR. BRUCE: I will do that.

5 EXAMINER DAWSON: That's all I have.

6 At this time Case Number 16315 will be  
7 taken under advisement.

8 MR. BRUCE: Thank you.

9 EXAMINER DAWSON: Thank you.

10 (Case Number 16315 concludes, 10:53 a.m.)

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25



1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court  
6 Reporter, New Mexico Certified Court Reporter No. 20,  
7 and Registered Professional Reporter, do hereby certify  
8 that I reported the foregoing proceedings in  
9 stenographic shorthand and that the foregoing pages are  
10 a true and correct transcript of those proceedings that  
11 were reduced to printed form by me to the best of my  
12 ability.

13 I FURTHER CERTIFY that the Reporter's  
14 Record of the proceedings truly and accurately reflects  
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither  
17 employed by nor related to any of the parties or  
18 attorneys in this case and that I have no interest in  
19 the final disposition of this case.

20 DATED THIS 16th day of August 2018.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters

25